

MINUTES OF MEETING

The 306th meeting of the Rhode Island Student Loan Authority was held on Friday, September 20, 2013 in the McKenna Conference Room, 1st Floor, 560 Jefferson Boulevard, Warwick, Rhode Island.

Members in attendance:

Mr. Robert J. Delaney
Ms. Christine Barnes Jenkins
Mr. Robert R. Theroux
Mr. Dennis J. Duffy, Esq.
Mr. Daniel P. Egan
Mr. Chris Feisthamel, Designee of the General Treasurer

Others in attendance:

Mr. Charles Kelley
Mr. Noel Simpson
Ms. Jennifer Dutch
Mr. Kevan McAleer
Ms. Deborah Machowski
Mr. Joseph Palumbo
Ms. Faith LaSalle
Mr. Bruce Serchuk
Mr. James Wilkinson
Mr. Raymond Celona
Mr. Peter Kirwin
Ms. Laurie Brayton
Mr. Blake Collins

The meeting was called to order at 10:13 a.m.

Upon a motion made by Ms. Jenkins and seconded by Mr. Theroux, it was unanimously

VOTED to approve the minutes from the Board of Directors meeting held on July 19, 2013.

Chairman's Report

There was no Chairman's Report

Executive Director's Report

Mr. Kelley discussed the Internship Program. He mentioned that RISLA had received a \$100,000 grant from the RI Foundation to help support the program. Mr. Kelley said that all the schools in RI are now participating in our program.

#4 Action Item: Acceptance of Audited Financials

Mr. Kelley introduced Mr. James Wilkinson, Partner, and Mr. Raymond Celona, Manager, with Braver PC, who performed the audit of RISLA for the fiscal year ended June 30, 2013.

Mr. Wilkinson reviewed the highlights of the financial statements with the board members and he reported that as in past years there were no management letter comments and that Mr. McAleer and his staff had everything in good order for the audit. Mr. Kelley mentioned that it has been ten years or more since RISLA has had any management letter comments from any of its auditors.

Mr. Celona pointed out that a draft of the financials had been submitted to the state for review.

Upon a motion made by Mr. Robert Theroux and seconded by Mr. Dennis Duffy, it was unanimously VOTED to accept the audited financials.

#6 Action Item: Resolution of VCAP Settlement with IRS

Mr. Kelley introduced Mr. Serchuk, who has been hired as outside counsel to represent RISLA in connection with the VCAP settlement with the IRS. He is a tax expert who works for Nixon Peabody. Mr. Kelley stated the payment to the IRS will be \$9 million, but RISLA has reserved over \$11 million liability.

Mr. Simpson mentioned that Mr. Serchuk had been engaged by the prior RISLA Board of Directors back in June/July 2012 after an extensive search and Attorney Serchuk was selected because he had experience in this matter with other student loan issuers.

Mr. Serchuk told the board that this is not a Rhode Island issue; it is a national issue for tax exempt bond issuers who moved loans from one trust to the other. He said the IRS made an announcement in April 2012 that there were two ways to resolve the matter. RISLA could contest the issue with the IRS through an appeal process and the other was to self correct via entering the VCAP. RISLA submitted its request to enter the VCAP in July 2012.

Mr. Serchuk said the beginning settlement amount was \$10.7 million to start but has come down due to the work of Mr. Kelley and Mr. Simpson. Mr. Serchuk stated that RISLA, as a normal course of business, booked an arbitrage liability and the result of making this settlement payment is that liability would go away.

Mr. Duffy asked Mr. Serchuk if he recommended that RISLA settle with the IRS. Mr. Serchuk told the board that he recommends RISLA settle with the IRS.

Mr. Feisthamel asked what the liability would be going forward. Mr. Serchuk explained that the liabilities are tied to bond issues. He said that there are fifteen bond issues tied to this settlement, only one had positive spread, but that all liability would be gone.

At Mr. Palumbo's request, Mr. Serchuk pointed to the language in the agreement with the IRS which fully and finally settles any past and future liability resulting from the practice of reallocating loans from one bond trust to another trust, which practice has been discontinued.

Mr. Feisthamel asked if there was any need for a reserve on the financial statements going forward. Mr. Simpson explained that it would be needed for the bond issues that were not included in the settlement. Mr. Theroux inquired who provides the calculations for RISLA. Mr. Simpson replied OmniCap.

Mr. Delaney thanked Mr. Simpson, Mr. Kelley and Mr. Palumbo for all their time and effort working on the settlement and asked for a motion to receive the letter received from Mr. Serchuk regarding the impact of the closing agreement with the IRS.

Upon a motion made Mr. Dennis Duffy and seconded by Mr. Robert Theroux, it was unanimously VOTED to receive the letter from Mr. Serchuk.

Upon a motion made by Mr. Robert Theroux and seconded by Mr. Dennis Duffy, it was unanimously VOTED to adopt the Resolution approving the VCAP Settlement with the IRS and authorizing RISLA to consummate the settlement pursuant to the terms of the settlement agreement.

#5 Action Item: Selection of Bond Counsel

Mr. Delaney announced that he had a conflict of interest and that he would be recusing himself from discussion. He asked Ms. Jenkins to take over the meeting as Chair for this discussion.

Mr. Duffy also announced a conflict of interest and recused himself from the discussion as well. Both Mr. Delaney and Mr. Duffy completed recusal forms for filing with the State Ethics Commission.

Mr. Kelley told the board that every couple of years RISLA will go out to bid for bond counsel. He said RISLA received responses from 6 firms, four national and two local and each bid on fixed rate, variable rate and floating rate transactions. Mr. Kelley said the lowest bidder was Cameron & Mittleman LLP with \$35,000 per transaction (plus out of pocket expenses of \$2,000) and that he recommends them for the fixed rate transactions and that he recommends Nixon Peabody LLP for the variable rate and floating rate transactions on the basis of their bid of \$60,000 (plus out of pocket expenses of \$2,500). Mr. Theroux inquired as to why there was a big difference in the variable rate bids. Mr. Kelley stated that the variable rate transactions are more complicated and require more work.

Upon a motion made by Mr. Feisthamel and seconded by Mr. Egan, it was unanimously

VOTED to engage Cameron & Mittleman LLP as Bond Counsel for Fixed Rate transactions and Nixon Peabody LLP for Variable Rate, Floating Rate and Refunding transactions. Mr. Delaney and Mr. Duffy recused themselves from voting for the reasons specified previously.

Guide to State Laws Affecting RISLA and Board Members' Performance of their Duties

Mr. Palumbo told the board that he prepared this booklet to assist board members in carrying out their duties in conformance with applicable state laws and regulations,

Upon a motion made by Ms. Christine Jenkins and seconded by Mr. Chris Feisthamel, it was unanimously

VOTED to adjourn at 11:26 a.m.

Mr. Robert Theroux
Secretary